Overview of New Commonwealth IT Cost Recovery Rates

This overview is intended as a guide to help Commonwealth agencies understand the changes from the interim and legacy rate structure to the new model, effective July 1, 2010. Service rates, costs, and other numerically expressed information included in this document are not intended to depict actual, official or approved rates or amounts.

Highlights of the changes:

- Many service charges have been eliminated, most giving way to a different recovery method.
- All rates, including legacy telecommunications rates, have changed (or been discontinued).
- Service options (1, 2, 3, 4) are discontinued. All rates reflect full service. Arrangements can be made with VITA to provide credits in situations where service option 2 was previously justified.
- The unit of measure to which rates are applied has changed in many cases.
- To the greatest extent possible, charges to customer agencies will utilize the same metric by which Northrop Grumman charges the Commonwealth. Overall, charges to customers will increase with some service rates increasing and others decreasing.
- Based on the magnitude of changes, it will be difficult to assess impact on a service by service basis. Additionally, rate to rate comparisons will generally not "tell the whole story". Agencies should aggregate logical groups or families of services for comparative purposes. The discussion of services by category (below, following Assumptions) is intended to assist in these comparisons.

Assumptions used:

- For mainframe, estimated usage data come from customer projections for FY 2011. For all other services projections are based on April usage data.

- For telecommunications, impact estimates are based on a transformed environment. Since transformation is not complete, particularly for data circuits, the projected customer impact for legacy circuits and WAN are likely the "softest" of all service areas.

Services by Category

In the Mainframe area:

- Charges to customers are expected to decrease by about $10M annually ($2M – IBM, $8M – Unisys).
- Charges for remote print and tape service are eliminated for both the IBM and Unisys mainframes.
- Normalization factors have been removed from CPU usage measurements yielding much smaller usage numbers with corresponding higher rates.
- Tape storage and disk storage usage will be expressed and charged based on gigabytes (previously megabytes). Accordingly, rates will be higher.

In the Server area:

- Charges to customers are expected to increase by about $6M annually.

- The increase is largely due to an increase in the cost of virtual servers.

- New server rates are presented in a tiered structure with tiers determined based on the number of CPU's (previously, tiers were determined by purchase price of the server).

- Charges to customers for disk storage used by server applications are expected to increase by $32M annually.

  > The increase is largely due to commencing recovery of costs associated with storage for all servers, regardless of location. Previously only storage used at CESC was discretely charged.

  > These charges recover the cost of approximately 1,400 Terabytes of storage used by Commonwealth agencies.

  > Multiple tiers of service are available for customers to select, including a "no backup" solution. These options will enable customers to better manage storage consumption and accordingly limit IT costs.

- Charges to customers for server based Disaster Recovery (DR) services are expected to remain consistent.

- Several tiers of Disaster Recovery services for servers are available.

- Charges for the storage used by DR servers are expected to be approximately $2.5M annually. This is a new charge to recover the cost of more than 100 terabytes of DR storage currently in use.

In the PC area:

- Charges to customers are expected to increase by $7M annually.

- In order to align with Northrop Grumman service rates, charges to customers will be presented on the invoice in 4 components:

  > Hardware (and software)
  > Support
  > E-mail box
  > Help desk

- Combining the rates for the above components allows a reasonable comparison of old to new PC rates and yields the following:

  > Old desktop rate - $87 VS New desktop aggregate rate - $99
  > Old laptop rate - $122 VS New laptop aggregate rate - $118

- However, note that email boxes do not align one-for-one with PC counts. Many agencies have additional (community style) e-mail boxes. E-mail boxes are counted and charged separately.

- In the new cost recovery model, tablets have discrete rates and are charged separately from laptops (using the same 4 components noted above).

In the Network attached printer/copier area:

- Charges to customers are expected to increase by $2.8M annually.

- The increase is largely due to the addition of large multi-function copiers to this service.

- A tiered rate structure is offered for network printers (including multi-function devices) and for copiers.

- In addition to the tiered monthly rate for all printers and copiers, there is a "click" charge applicable only to copiers.

In the LAN area:

- Charges to customers for LAN access will be aligned with Northrop Grumman's tiered LAN charging model where the tier is determined based on a "per site" fit to a predefined range of ports. While this cost recovery model may seem similar to the previous "Network Access" charge the two models are not designed to recover the same costs.

- In order to reasonably assess the impact, agencies should aggregate the new LAN charge, new WAN charge and any remaining COVANET and Private Circuit charges for comparison to the previous "Network Access" charge plus COVANET and Private Circuit charges.

In the Legacy Telco area:

- As in the past, service rates are expressed as percentages added to vendor service rates.

- All voice services will receive the same percentage addition.

- All data services will receive the same percentage addition (different from voice).

In the pass-thru area:

- The new pass-thru percentage will be 5.43% for all pass-thru charges. Previously 5.52% was applied to RFS related and P2P purchases.
- The new pass-thru percentage of 5.43% will also be used for Other Charges and Credits (OC&C) in the legacy Telco area. This percentage was previously 8.9%.

In the Time and Materials area:

- New hourly labor rates have been calculated using a lower recovery target and reflecting the reduced administrative costs incurred by VITA.
- The billable hourly rates remain tiered in $8.00 increments.

Legacy charges:

- The revised contract allows for additional charges by the vendor in areas where transformation does not occur to recognize the additional support requirements associated with non-transformed assets and circuits. The commencement date for legacy charges to be applied to non-transformed assets and circuits is January, 2011.
- Following is a list of the potential legacy charges that customers could incur:

    Legacy server support,
    Legacy PC support (per desktop, laptop or tablet)
    Legacy mailbox
    Legacy help desk (per PC or Server)
    Legacy WAN
    Legacy LAN

Other services offered:

- The following services continue to be offered with little to no change in charging methodology:

    o VOIP service
    o Audio conferencing
    o Enhanced security services for servers
    o PC encryption service
    o Dual factor VPN authentication is available for a one-time charge which covers the life of the service,
    o Secure wireless access point service
    o Blackberry and PDA (2 different services charges separately and at different rates)
    o Mainframe print service at CESC (continues to be provided)
    o Managed firewall service (available in certain situations)